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CHINA NATIONAL IMPORT EXPORT CORPORATION

The China National Import Export Corporation, located at 83 Chuan Ta Hutong, West City, Peking, is a trading firm which is almost 100 percent state controlled. The firm maintains branch offices in Dairen, Tientsin, Tsingtao, Shanghai, Canton, and Mukden, and it is believed that these Chinese firms deal exclusively with Asia and the Satellites. Reports have been received listing firms in Hungary, Poland, Czechoslovakia, and East Germany that are trading with the Peiping and Mukden offices. 1/ Another report discusses the shipment of 400 tons of rubber to the China National Import Export Corporation of Peiping from Ceylon. 2/

Until late April 1952, China's trade with the West, was for the most part, in the hands of the China Export Corporation, a German firm, located in East Germany, which had been the intermediary between China and Western Europe. CEC acted as middle man for barter deals. This firm soon found itself in difficulty. The market for Chinese exports was not large enough for the quantity of Chinese goods at the disposal of CEC, and they found it increasingly difficult to get rid of these products. They were therefore unable to trade for Chinese imports. They had become virtually bankrupt, and hence highly unpopular with the East German authorities. 3/ The Chinese Communists were anxious to get Chinese trading organizations or delegations directly into touch with reputable Western European firms without the intermediary services of the China Export Corporation, or any other more or less politically suspect business or trading associations. 4/

Following the Moscow Economic Conference in April 1952, certain delegates to the conference proceeded to Peking, where they were informed that China was most anxious to expand her trade with the West, particularly with the United Kingdom. 5/

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In early 1952, a Chinese trade Delegation, led by LU Chu-chang, went to Berlin. The task of this delegation was to follow up the preliminary arrangements made with representatives of European firms at the Moscow Economic Conference who expressed a desire to trade with China. The delegation was to complete contracts with these firms. Moreover, it was authorized to deal with any other firms or organizations who were not present at the conference, but who wished to trade with China. 6/ The delegation got into direct touch in Berlin with an organization formed by German businessmen who had attended the conference, Konton fuer den west-Ost Handel, one of several firms established as an outcome of the conference 7/ and thereupon set up a special office of the CNIEC at the Hotel Johannishof, Johannestrasse, 21, East Berlin, through which all trade requirements from Western Europe would be channeled. 8/ This would enable the CNIEC to bypass the traditional trade channels through Hong Kong and to become the largest and most important single channel for trade between China and Western Europe.

The China Export Corporation turned over policy matters in dealing with the West to the CNIEC, leaving purely functional matters for themselves. According to one report, CEC was "ceasing all activities for an indefinite period." 9/ This left the CNIEC as the chief China agent for trading with the West.

It is difficult to determine the degree of success of the CNIEC in actually negotiating contracts with Western businessmen. Piecing together what information does exist, it is evident that CNIEC is becoming increasingly successful in expanding its business and in accomplishing its main purpose and function, that of fostering trade between China and the West. An impressive number of British businessmen have visited East Berlin to talk with the Chinese Trade mission there. 10/ In one year the staff of the East Berlin office is reported to have grown to four hundred (perhaps four hundred Chinese). 11/ CNIEC has become of strategic importance, as it is the main purchaser in Western Europe of strategic and goods needed to support the Chinese war effort in Korea.

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Recently, almost weekly reports have been received announcing large new contracts between CNIEC and Western business firms. 12/ Should the China coast ever be blockaded CNIEC would become even more vital to the Chinese.

As the staff of CNIEC in East Berlin gains experience, it will become more efficient and the firm will become an even larger center for negotiating trade agreements between Europe and China. At present the personnel consists mostly of young who are Moscow indoctrinated, lack business experience, and who are terrified of making any mistake. The staff is Chinese and the firm is entirely independent of the East German Government 13/ and has no communications with the government or any other satellite or Soviet authority. 14/ The Berlin office is briefed on what China can supply on her requirements, contacts Western businessmen and firms, initiates, and completes contracts, arranges for transportation of goods to China and completes arrangement for payment.

Shih Chih Ang, Berlin representative and assistant to LU Shu Chang, manager of the Berlin and Peking offices and leader of the original trade delegation to Berlin, insisted that Chinese exports be delivered F.O.B. and taken over by the National Testing Bureau, Imports to China, however, would have to be delivered CIF. The purpose of this general procedure would be to obviate the necessity of personal contact in China between the European businessmen and Chinese trading organization. 15/

A new standard contract form of the CNIEC, Peking, was drawn up for the use of sales representatives calling on the organization in East Berlin. Contracts are negotiated in Berlin by the CEC on behalf of the CNIEC. One time deals can be negotiated directly with the CNIEC. 16/

CNIEC has dealing with Great Britain, Switzerland, France, Sweden, Holland and Vienna. They have approached firms in other countries, at times without success, and are gradually expanding the China-West trade, especially in strategic and semi-strategic goods.

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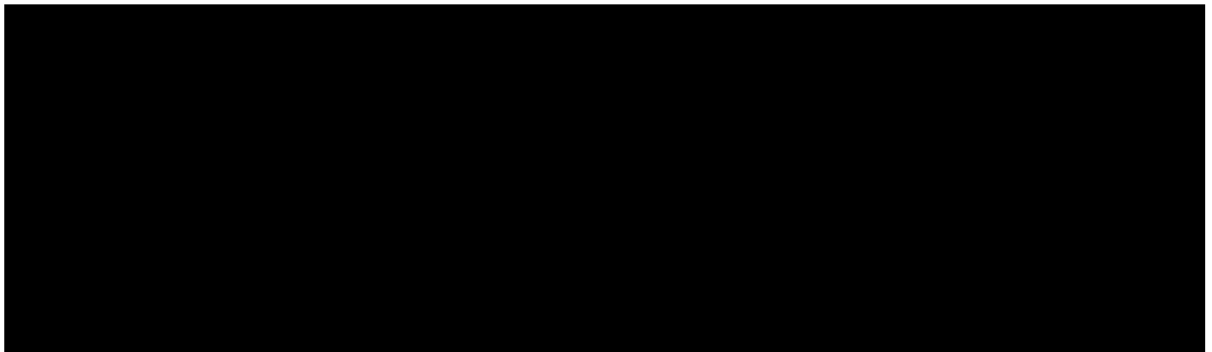
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Early in February 1953, CNIEC, addressed invitations to a number of Italian firms for the conclusion of a contract to supply industrial machinery to Communist China. The transaction was to be concluded in Swiss francs. The Italian firms were asked to send their representatives and technicians to East Berlin to conclude negotiations. The Italian Government realized the economic advantage of this offer to Italian businessmen, but the governmental organ is decided to reject the offer. The purpose behind this action was probably to demonstrate that the Italian Government rigorously observes the norms regulating trade relations with the Soviet bloc. 17/

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The Swiss firm of Werkzeugmaschinenfabrik Oerlikon, Buehrle Co., contracted with CNIEC for the sale of late model AA guns and rockets. The Swiss general staff disapproved of this proposed transaction, and export licenses were not granted. It was believed possible that the company may evade the export restrictions by selling only the blueprints. The Swiss firm of Marc Bloch, Imexis, S.A. sold the CNIEC 125 boxes of watches.

About the middle of September 1952, a deal was concluded between the China National Import Export Corporation, Berlin, and Tracont A.G. of Zurich, under which the latter sold 700-800 tons of copper and 700-800 tons of aluminum to the CNIEC. The copper and aluminum were sold at \$950 per ton F.O.B. Antwerp. The contract was signed by Mr. Shi and Dr. Kuan on behalf of the CNIEC, and by Gabriel Makowsky on behalf of Tracont. The instruction to open the letter of credit was communicated verbally to the Banque Commerciale pour l'Europe du Nord, so as to avoid any written evidence of this deal. 19/

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It was reported in September 1952, that French firms finally agreed with the CNIEC in East Berlin to export 1,000,000 worth of French products to China on a barter basis. Prior to this position being reached there had been a serious hitch in negotiations. The French authorities had hitherto refused to grant export licenses unless the Chinese put up a banker's guarantee for the shipment of products to be sent to France in exchange. The Banque Commerciale pour l'Europe du Nord offered to put up the guarantee, but, owing to its Russian connections, the French Authorities refused to accept this guarantee unless it was endorsed by a French bank. This endorsement has now been provided by the Banque de l'Indo-Chine, and a floating credit has been arranged on the basis that any balance due to non-shipment of produce is to be paid for by the guarantor in sterling or dollars at the French Treasury's option. The negotiations have now been concluded and the contract calls for the exportation of 1,000,000 worth of steel products, and also embraces 12,000 tons of soda ash to be exported to China. Another 18,000 tons of soda ash will be the subject of a future contract. 20/

The London Export Corporation, London, England, was appointed by the CNIEC, Peking, to act as correspondents for them in the United Kingdom, and to act as their purchasing agents for British Textiles, in accordance with the terms of the unofficial agreement signed at the Moscow conference between British and Chinese business firms. 21/

Although this agreement has no official recognition the Board of Trade makes no objection to transactions of this kind. The Board of Trade's view is that export licenses are to be granted for all equipment which is obviously for domestic use. Mr. Jack Perry, head of the London Export Corporation, was quoted as saying that practically all of China's business with the Western European countries would henceforth be placed through the Berlin office of the CNIEC rather than through Hong Kong as had formerly been the practice. The London Export Corporation would place orders for woolen manufactures, although there was no objection to direct dealings with the Berlin office. 22/ In order to facilitate transactions, letters of credit, payable to

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through the Bank of China, London, would be opened one month before the delivery of the goods. Payment would be effected by production to the Bank of China of the appropriate documents and export licenses, and quotations would be based on F.O.B. delivery at British ports. These quotations would include one-fourth (1/4) the price for the International Trader's Association.
23/

The Chinese Communists were reported as being anxious to purchase 10 million pounds sterling of goods in England in 12 months and to increase this figure as time went on. Purchases of the London Export Corporation include, besides textiles, textile machinery and parts, small and large engines, pumps and compressors, building, mining and electrical equipment, refrigeration plants and heating and hospital equipment. Office equipment, including tabulators and calculators and foundry tools are also among their requirements. In addition, chemical equipment, mechanical equipment, and paper, including newspaper print and bank and magazine paper, have been mentioned. 24/

In January 1953, 500,000 pounds sterling worth of British hydraulic lift trucks were sold to Communist China by the Industrial Truck Development Ltd. of London through Hill Brown Ltd., of the same city. The first consignment of these trucks left Liverpool for Taku Bar on approximately 20 January 1953. Early in February, however, the Chinese Government became apprehensive about future developments in the Far East due to the policy of the United States concerning Formosa, and expressed its fear for the safety of its purchases of trucks and other industrial equipment. Chinese purchasing agents therefore approached the Industrial Truck Development Company for a revision of the terms of sale. This revision provided for the shipment of vehicles to Gdynia, Poland. They would then be transported from Gdynia to China. The agents also requested that the trucks be insured against war and marine risks, including confiscation. Such a coverage could have been placed on the London market, but the Chinese implies that this would not be satisfactory, as the question of confiscation might arise as the result of a state of war between China and the Western powers. Any insurance issued in London would

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become valueless under these circumstances. Hill Brown Ltd., the intermediaries, sought coverage by a Swiss insurance company. 25/

Various members of the London Export Corporation, including the principal members of the firm, Jack Perry, Bernard Buckman, and Phillip Fine, are reported to be members of the Communist Party and are said to have travelled extensively in Soviet and satellite countries. Both Buckman and Perry are reported to have attended the Moscow Economic Conference in April, 1952, and they were believed to have been introduced into the firm to make use of it in accordance with the decisions reached at that conference. 26/

The Dutch firms of Maisen F. Mathieu, 25 Rue de la Princess, and N.V. Nedbelga, 24 Arenberger Atc., sold 14,800 tons of steel products, valued close to 5,000,000 Swiss francs to CNIEC. Early in December 1952, representatives of CNIEC commissioned the Amsterdam firm of Stemmler Imex N.V. to purchase for them, and, to ship to China from the port of Rotterdam, 2,032 metric tons of borax and 30 metric tons of boric acid. These products were believed to be of U.S. origin. 27/

Malte Manson A.B. of Linkoping Sweden dispatched 61 cases of automobile repairing equipment to the China National Import and Export Corporation of Peiping. The equipment was loaded on a Swedish ship in Stockholm which sailed for Gdynia in February 1953. Transfer A.B. of Stockholm was reported on 24 February 1953 to have shipped several drilling machines, weighing about four tons each, to CNIEC. 28/ Transactions such as those mentioned above are becoming increasingly more frequent.

Most of the trade between China and the west is shipped via Poland and not directly from the Western nations concerned. A new supply route has opened between the two countries. Thirteen cargo boats constitute the regular service between Gdynia, Poland and Tientsin, China. Merchandise coming from the European countries of France, Great Britain, Belgium, and Sweden is loaded in the ports of these countries for the destination of Antwerp. From there the goods are transferred to other boats destined for Gdynia. The payments are made most of the time upon delivery to Antwerp and Swiss and Dutch banks are entrusted with the financial regulation. On the Communist side, the

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client is often designated by Leighton Trading Company of Shanghai. This name is fictitious and simply covers the names of the Communist Purchasing Service. It is likely that the name never appears on the departure from European ports. 29/

Overland shipments to China are sent to the German Democratic Republic. From there they are sent to ~~Qin~~ ^{Qin} at the USSR-China border, presumably to be forwarded to Peiping. Shipment is made via this route from Britain. 30/ Austrian goods destined for China are routed up the Danube to Linz and thence through the Muekviertel via Budweis or Eger to Berlin. Arrangement is then made for their shipment to China from there. 31/

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ROUTING AND RECORD SHEET

INSTRUCTIONS: Officer designations should be used in the "TO" column. Under each comment a line should be drawn across sheet and each comment numbered to correspond with the number in the "TO" column. Each officer should initial (check mark insufficient) before further routing. This Routing and Record Sheet should be returned to Registry.

FROM:				TELEPHONE	NO.	
RQM/OIS					K-4144	
				DATE	23 May 1956	
TO	ROOM NO.	DATE		OFFICER'S INITIALS	TELEPHONE	COMMENTS
		REC'D	FWD'D			
1. AD/RR		5/24	5/25	OEG		Sent to D/E 29 May 1956 [redacted] is responsible analysis project will be completed by September (6/11/56)
2. ST/PC		5/25	5/25	[initials]		
3. ST/PR CH/E	2110M	28 MAY 1956			2803	
4. ST/PR A/F	2100 M	31 May 56	31 May 56			
5. D/E						
6. DIS		20 Dec 56	26 Dec	hub		
7. SITE		21 Dec 56				
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